

From Crisis To Stability

**A REPORT BY THE
MONROE COUNTY
BUDGET ADVISORY TEAM**

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**Recommendations for Expense Reduction,
Revenue Enhancement and
Budget and Procedural Improvements**



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INTRODUCTION

Fulfilling one of her major campaign promises, in January 2004 newly sworn in Monroe County Executive Maggie Brooks created the Monroe County Budget Advisory Team. The Team was charged with the task of conducting a comprehensive, top-to-bottom review of the Adopted 2004 Monroe County Budget to identify potential efficiencies, streamlining and consolidation opportunities, and to offer advisory comments to the Office of the Monroe County Executive.

To avoid duplication of previous efforts aimed at improving County Budget finances and operational practices, the Team was also asked to review previously unimplemented recommendations of the CASE Commission, Altrey Consulting, and the Blue Ribbon Commission on Monroe County Finances and the report commissioned by the Monroe County Council of Governments and The Rump Group.

The Team approached the assignment with the understanding that raising the County Property Tax Rate would be an option that County Executive Brooks would not endorse, and was therefore "off the table" for consideration.

This report outlines the Team's recommendations, offering broad-based strategies to enable Monroe County to close its current and projected budget gaps by reducing expenses and enhancing revenue, as well as to improve operational efficiencies and budget procedures.

Team Profile

The Budget Advisory Team is composed of a balanced cross-section of the community. Interests and expertise of Monroe County's diverse workforce are well represented. Business leaders and entrepreneurs from a variety of industries, municipal representatives from Monroe County's towns and the City of Rochester, the local union sector, financial and educational institutions, and experts in the health care and social services fields brought valuable experience and insights to the Team.

The Team also includes members who could share unique experiences and insights gained from involvement with the CASE Commission, Altrey Consulting, the Blue Ribbon Commission and The Rump Group. Team member profiles are presented at the end of this report.

EXECUTIVE SUMMARY

Overview

In her April 20, 2004, Address to the County Legislature on the Current Financial Condition of Monroe County, Monroe County Executive Maggie Brooks stated, "To tell it like it is, the current fiscal condition of Monroe County is not good at all. Our analysis of preliminary indicators from the first quarter has identified a projected budget deficit of \$25 million for 2004. This is the result of budget pressures thrust upon us by the State of New York and overly aggressive budgeting by the previous Administration."

Subsequent estimates have pointed out with even greater urgency the danger of inaction. One result is not only a \$25 million projected budget deficit in 2004, but also a massive \$45-\$55 million shortfall in 2005. It has become abundantly clear that the time for "business-as-usual" thinking in County budgeting is over. The risk is simply too great. The time for bold new ideas and an aggressive reform agenda is now. The new leadership being provided by County Executive Maggie Brooks to restore fiscal stability to County finances marks a major step forward in that direction.

We applaud County Executive Brooks for providing the leadership needed to guide the County through these current fiscal challenges. One clear demonstration of that leadership, as well as the top priority she has given to restoring fiscal balance to the County budget, was her appointment of the Monroe County Budget Advisory Team (BAT) as one of her first acts upon taking office. Another is her appointment of a dynamic, forward-thinking new team to direct the finance and budget functions of County government. We are also greatly encouraged by her frank presentation of the fiscal realities facing County government through her forthright conversations with the BAT, the County Legislature, the bond-rating agencies and, most importantly, the public.

The County Executive charged the BAT to undertake a top-to-bottom review of the 2004 Monroe County Budget, to identify potential efficiencies, streamlining and consolidation opportunities, and to offer advisory comments that could be applied in 2004 and beyond to yield real savings. In pursuing of these goals, the County Executive challenged us to evaluate current County government functions in light of the following criteria:

What services must the County provide?

What services ought the County provide?

What services can the County actually afford to provide?

In fulfilling our charge, we saw our role to be one of opening doors to new thinking about the way government today be in order to operate responsibly, efficiently and affordably. The results of our efforts are the recommendations in this report, some of which have already been acted upon by the County Executive. The approach is to improve operations while reducing expenses, enhancing revenues or instituting essential budgeting and procedural changes. We endorse the County Executive's goal of restoring fiscal balance and stability to the County's finances by closing the projected \$25 million deficit by year's end and taking proactive steps to eliminate the massive deficit projected for 2005 – all without raising property taxes. But the work cannot stop there. Once the structural deficit is eliminated, the County must begin to rebuild its reserves through the creation and annual funding of a Tax and Service Stabilization Fund.

EXECUTIVE SUMMARY (CONT...)

The work will be difficult, sometimes painful, but we are confident that implementation of the recommendations we have made, together with the deficit reduction plan being developed by the County Executive, will help produce budgets in 2005 and beyond that are balanced, stable, and fiscally responsible. As the County Executive said in her April message to the County Legislature, "the budget challenges that we face are real and pressing – so pressing, in fact, that a downgrade of our County's bond rating may occur, once again." We have seen that action already taken by Moody's.

The BAT, working from February through June 2004, embraced an approach that focused on innovative thinking – a willingness to "think outside the box" in order to provide a framework for closing the current budget gap and setting a course for long-term fiscal stability.

Much of the burden on County finances is caused by mandates imposed by the State government without a corresponding 100% reimbursement for the expense of providing the mandated services. According to the County Executive, over 80% of the projected deficit – some \$20 million – is directly attributed to mandated Medicaid services and various other state-mandated social services. To understand the scope of this impact, one only need consider that the County's expenditures on mandated Medicaid costs exceed the total revenue collected from the County's share of the sales tax. And the challenge of mandated spending grows worse each year, escalating at a breakneck rate.

One guiding principle adopted by the BAT in tackling the problem of unfunded and under funded mandates was this: While the service may be mandated, the cost of providing it is not. Alternative methods of delivering services, therefore, become a key focus of the analysis. As a result of this approach, the BAT was able to identify a number of savings opportunities, resulting in a potential benefit to the County of several million dollars.

More than ever, it is apparent that the time to get our fiscal house in order – the time to act – is now. Only by doing so can we hope to return County government to a firm financial footing and ensure that it will be able to provide affordable, efficient and effective government for every resident – and secure a desirable, livable community for all who call Monroe County home.

Methodology

Members of the BAT conducted a comprehensive, top-to-bottom review of the Adopted 2004 Monroe County Budget, and reviewed recommendations of the CASE Commission, Altreya Consulting, the Blue Ribbon Commission, and the report of the Monroe County Council of Governments and The Rump Group. An innovative community input process was also established thanks to BAT member IC Shah, who contributed a phone line by which suggestions could be made directly by the public.

When the BAT first assembled on February 19, 2004, it organized a best practices workflow to streamline the analytical process. The BAT decided to focus on a broad scope of issues, cutting across multiple County departments, in analyzing the County's finances rather than undertaking a more traditional department-by-department budgetary review. Accordingly, the BAT organized itself into 13 Focus Groups and proceeded under the guiding philosophy stated by BAT member Ralph Esposito: "At the end of the day, we want the type of community in which we all want to live."

EXECUTIVE SUMMARY (CONT...)

Each of the Focus Groups developed its own methodology and generated recommendations with the understanding that consensus from the entire Budget Advisory Team was not essential.

Each Focus Group operated under a set of distinct parameters for decision-making:

- 1.) Everything is on the table except a property tax rate increase, which County Executive Brooks had pledged would remain stable.
- 2.) Essential services to the community could not be jeopardized.
- 3.) The role of Monroe County as a government should be to provide public policy, contract management, safety and investigative services.
- 4.) The review must also take into account the County's budget process as a whole.

In fulfilling its mission, the BAT worked in partnership with the Monroe County administration. The dialogue was frank and open, all meetings were open to the administration, and the departments were helpful in fulfilling our numerous requests for information and analysis.

Implementation

Given the urgency of the County's budget situation, several recommendations of the BAT were informally offered to the Administration during the review process and have been or are already being implemented. Among these are the establishment of a grants management office, to ensure that the County is aggressively pursuing federal and state funding opportunities, to offset the need to use local taxpayer funds for certain services and capital improvements. Another is the implementation of multi-year budget forecasting, which the County Executive will begin starting with her proposed 2005 Monroe County Budget. This will improve the County's ability to plan and program resources, help identify and prioritize a change agenda in Albany and Washington that better serves our community, and help us to better understand and manage the consequences of current year decisions on future budgets. Finally, the County has pursued cost reduction, moving employee health care benefits from community rated products to experience rated products. Obtaining data from experience rating will allow the County to make an informed decision on self-insurance in the future.

Summary of Recommendations

The Budget Advisory Team concluded that the situation involves not only a short-term financial crisis, but deep structural issues that are not sustainable – concerns that have the potential to quickly spiral into a long-term quagmire. It was confirmed that the "low hanging fruit" for quick fixes is gone. Fundamental and structural issues must be addressed and changes in County government must begin now.

The following summary presents our key recommendations, selected for highlighting because of the significance of their impact on reducing expenses, enhancing revenues or instituting essential budgeting and procedural changes. Following this section is a summary of other notable recommendations.

Please note that, although in some cases specific estimated savings or revenue increases have been projected, it was not the intention of the BAT to quantify change or develop a specific formula to close the budget gap. Rather, the Team found its role to be that of providing new thinking about how the government could re-invent itself into a more responsible, efficient and affordable organization.

EXECUTIVE SUMMARY (CONT...)

Key Recommendations

1.) Alter The Budget Process

- Multi-year budget forecasting should be implemented. This will improve the County's ability to plan and program resources, while having varying fiscal years and budget cycles. It can help identify and prioritize a change agenda in Albany and Washington to better serve our community. It is necessary to better understand and manage the consequences of current year decisions on future budgets.

We are pleased to note that the County Executive has directed the implementation of multi-year budget forecasting, starting with her proposed 2005 Monroe County Budget.

- The Budget should be developed and presented as two separate documents that clearly present spending by mandated and non-mandated services. This will help the County to illustrate more clearly for taxpayers the negative impact of unfunded mandates, and will assist the County in developing a prioritized agenda for seeking mandate relief from our State and Federal governments.
- The Mandated and Non-Mandated budget documents should be presented so as to reflect those areas under the jurisdiction of the following elected officials who are elected by and responsible to the taxpayers of Monroe County: County Executive, Sheriff, County Clerk, District Attorney, and County Legislature.
- The budget submission date, which is currently set for the second week of October, should be changed to November 15, in order to remove from the budget process the partisan political posturing coinciding with general elections.

We would also like to note how critically important it is for the Chief Financial Officer and the Director of the Office of Management and the Budget to work together, to ensure a coordinated approach to managing the County's finances.

2.) Reduce the County Workforce

The largest individual budget category is personnel. It is impossible to achieve budget targets without reductions in this most significant budget category. Accordingly, we recommend that the County implement an aggressive workforce reduction strategy, working as quickly as possible to downsize the County payroll by 400 to 500 jobs. While this is certainly a painful step, it is absolutely critical to ensuring the current and future stability of the County's finances. We believe that current levels of service can be maintained in concert with these reductions given the right combination of outsourcing, consolidation and other streamlining opportunities outlined in this report and elsewhere.

3.) Outsource the Operation of Monroe Community Hospital

- Continued operation of Monroe Community Hospital is estimated to result in ongoing net losses of \$7 to \$9 million each year to the County. Given that this trend is unlikely to reverse itself and, indeed, will likely worsen, the County should give serious consideration to outsourcing the management and staffing at the hospital, as well as the outright sale of the hospital to a private management company.

EXECUTIVE SUMMARY (CONT...)**4.) Lobby for Reform in the Provision of Pharmaceutical Benefits for Medicaid Recipients**

Currently, Medicaid recipients are under no obligation to receive generic drugs to fill prescriptions. This reliance on brand-name drugs at retail prices – or greater – often results in expenses many times the generic price. Reduction in multiple-month prescriptions and the establishment of a drug formulary for Medicaid recipients would result in substantial additional savings. To accomplish these needed reforms, incentives to enhance physicians and patients could be used. The cooperation of the State of New York could assure a long-term impact. The Administration is urged to pursue these changes, and seek participation in pilot and demonstration projects in these areas whenever possible.

5.) Modify Health Insurance Plans

Cost reduction can be obtained by switching from community rated products to experience rated products. Increased employee cost sharing, reduced retirement benefits, and longer vestment periods would put County health insurance coverage on par with the community and produce savings. Additionally, the County should analyze healthcare utilization data and proceed with Self-Insurance if favorable cost savings can be realized.

We are pleased to note that the County, acting aggressively in response to this recommendation when shared earlier this year, has already undertaken significant reform efforts in this area.

6.) Improve Coordination of Efforts to Lobby State and Federal Representatives to Secure Funding

To effectively secure Monroe County's fair share of State and Federal funding for the benefit of community projects and programs, an experienced professional should be engaged to oversee and coordinate the often disjointed, and sometimes duplicative, efforts under way across County departments. This individual should report directly to the Office of the County Executive.

7.) Take Advantage of Additional Revenue Opportunities at the Mill Seat Landfill

The opportunities for generating additional revenue to the County through enhanced use of the land at the Mill Seat Landfill are numerous. The County should make it a priority to examine expansion of the landfill, the addition of out-of-County waste, and the identification of possible on-site business partnerships that can take advantage of available land at the site as well the energy resources naturally generated by landfill operations.

8.) Create a Grants Management Office

To offset current and future expenses, the County should aggressively pursue grants and develop a system whereby grant applications and management are coordinated on a Countywide basis. An important component of this initiative should also be to ensure that the County is conducting its business in a fashion that maximizes its eligibility for reimbursement under various Federal and State funding programs.

We are pleased to note that the County Executive, acting aggressively in response to this recommendation when shared earlier this year, has already undertaken significant reform efforts in this area, including the establishment of an Office of Grants and Reimbursements.

9.) Stabilize the Tax Rate

We endorse the change implemented by the County Legislature last year to maintain the property tax rate while allowing the County to take advantage of assessment growth from new development and other increases in assessed valuation. This action is consistent with the current practice of many municipalities. We urge the County administration and the Legislature to continue this practice, which will accomplish tax stability for residents while also allowing the County to benefit from the additional revenues generated by the natural growth in the local tax base.

EXECUTIVE SUMMARY (CONT...)

10.) Establish Strategic Plan for Information Technology (IT) and Consolidate IT Functions

The BAT felt this to be a core issue, given the dependency of government management on the measurement and analysis of data. The County should prepare a multi-year strategic plan for Information Technology that can guide investment and development, to produce economic efficiencies and better service in the future. This effort should include a thorough investigation and review of opportunities, as may be appropriate, to outsource IT functions or establish public/private partnerships in pursuit of these goals. As a first step in establishing a strategic plan, the County should accelerate the process of consolidating all IT functions, resources and purchasing under the Department of Information Services.

11.) Enhance Case Management

The County should enhance case management of Medicaid and social service beneficiaries. It should flatten processes and explore a lead agency approach to the delivery of mandated services for higher quality, better control, greater efficiencies, and lower costs.

EXECUTIVE SUMMARY (CONT...)

Other Recommendations

I. Expense Reduction

Capture Telecommunications and Energy Savings

Monroe County has the potential to save hundreds of thousands of dollars annually by conducting an audit of telecom services and outsourcing telecom invoice management to a local company specializing in this service. Significant savings may also be realized through continuous review and analysis of the sources from which energy is purchased.

Explore Consolidation of City and County Services

Significant opportunities for savings through consolidation of services provided by both the County and City governments. In particular, the following areas should be explored: Information technology, fleet maintenance, purchasing, Civil Service, payroll, and government telecommunications systems.

Consolidate County Services

Significant opportunities for savings also exist within County government among departments that provide duplicative services. In particular, attention should be given to consolidating the maintenance of all vehicles owned by the County under one fleet maintenance operation, rather than the separate operations maintained currently by the Office of the Sheriff and the Department of Environmental Services.

Additional consolidation opportunities should be pursued in the areas of records management, design and inspection services, communications and radio dispatching, and purchasing.

Reduce Fleet of County Vehicles

Attention should be given to tightening the County's vehicle use policy. All County employees currently having the use of a County vehicle should be required to demonstrate the necessity of having this privilege for their particular position, and whether or not take-home privileges are required, as opposed to having use of a vehicle on an as-needed basis for job related purposes only. With very few well-substantiated exceptions, all vehicles should be turned in, and a pool system for vehicle use during work hours should be employed.

Cost Sharing with Municipalities

Where possible, the County should seek opportunities to share the burden of expense with municipalities. For example, the County could share costs with Towns and Village for the purchase of a new public safety communications system.

EXECUTIVE SUMMARY (CONT...)**II. Revenue Enhancement****Sell Excess Capacity Rights on Fiber Optic Network**

Once fully implemented, the County stands to gain \$250,000 to \$500,000 annually through the sale of excess fiber optic network capacity. A business plan should be developed to make this a reality.

Sell Naming Rights and Pouring Rights for Monroe County Park Facilities and/or Special Events at County Parks

We endorse the development of sponsorships and the selling of "naming rights" for facilities and certain events. We also endorse efforts by the Parks Department management to explore the feasibility of awarding "pouring rights" to soft drink providers for some or all parks facilities.

Secure a Marketing Consultant to Explore Additional Revenue Opportunities in County Parks

While the management team of the Parks Department is enthusiastic about revenue enhancement, we recommend that a marketing consultant with experience in this field be engaged in order to maximize this potential revenue.

Implement a "Pay to Stay" Program at County Jails

Since the 1980s, the concept of "Pay to Stay" has spread across the country. This growing national trend compels prisoners to help cover the costs of their incarceration. Today, approximately one-third of the country's prisons have some sort of "pay to stay" concept.

Other Budget and Procedural Changes**Streamline the Purchasing Process**

To improve efficiencies and costs, the purchasing function should be centralized within Monroe County. At the same time, the community's buying power can be enhanced with the formation of a purchasing consortium composed of municipalities wishing to purchase through Monroe County. The County should also consider lobbying for change in the existing laws that regulate the purchasing process as concerns "electronic bidding" which is more cost-effective than the alternative, manual process.

Rebuild the County Reserves

Establish a Tax and Service Stabilization Fund with annual appropriations and cost savings.

Restructure the Current Debt Schedule

Callable high interest debt should be recalled and re-issued to achieve cost savings. There is an urgency here due to a rising interest rate environment. The bond rating agencies also consider this a top priority.

EXECUTIVE SUMMARY (CONT...)

Center For Civic Entrepreneurship

A particularly innovative concept to come out of the BAT deliberations relates to actual implementation of cost-cutting and revenue enhancement ideas. While it is not the charge nor the intention of the BAT to oversee implementation of its recommendations, County Executive Brooks and Monroe County policy makers are asked to consider the benefits of the formation of a Center for Civic Entrepreneurship.

To assist the County Executive and her team to accomplish the goals of fiscal stability, a vehicle is needed to drive implementation of cross-cutting innovative improvement plans, while focusing on civic excellence. A Center for Civic Entrepreneurship could serve as this vehicle for change.

Such a Center, established at the County level, would bring an entrepreneurial orientation. Fiscally sound solutions already identified could be furthered, while educating and mentoring County employees to continue to identify best practice approaches to problems and solutions.

Initial funding for the Center would need to come from a charitable foundation or "angel" with ongoing support paid through sharing of the savings realized from Center activities. With each budget cycle, as the Center is more and more successful, savings will be reduced and eventually the Center would cease to exist. At that point, the hypothetical optimal point of County operations would be accomplished and the Center would no longer be needed.

FOCUS GROUP REPORTS

A. COUNTY TO CITY SHARES

The Focus Group's work took a two-pronged approach, first exploring common areas that could be consolidated for shared costs between Monroe County and the City of Rochester, and then areas within certain departments within Monroe County that could be consolidated.

Meetings brought together County and City officials for discussions focused on the sharing of services. Discussion stayed at a conceptual level, and further, more detailed analysis may result in differing estimates of savings. In addition, meetings were held with Monroe County Department heads from Environmental Services, the Water Authority, and Engineering to explore areas where costs could be contained through consolidation. The Focus Group developed the following recommendations:

Consolidation of City and County Services

The following were identified as areas where a consolidation of City and County functions could result in significant savings. [Estimated savings are indicated as a range – see key below.] Given the time necessary to implement these recommendations, it is realistic to assume that no savings through consolidation can be expected for the 2004 fiscal year.

Function	Estimated Savings or Additional Revenue Per Year		
	2004	2005	2006
Information Technology	A	C	C
Fleet Maintenance	A	C	C
Purchasing	A	B	B
Civil Service (testing, classes, etc...)	A	B	B
Payroll	A	B	B
Water (Water Authority)	A	A	A
Waste Management (Sewer Dist.)	A	A	B
Telephone System (City/County)	A	C	B

Key:

A – <\$100,000

B – \$100,000 to \$200,000

C – >\$200,000

COUNTY TO CITY SHARES (CONT...)

Consolidation of County Services

The following are the items have been identified to improve efficiency and save money through consolidation of services within County government. [Estimated savings or additional revenue are indicated as a range – see key below.] It is important to note that only a small percentage of the project savings listed below could be applied to 2004.

General Service/Function	Estimated Savings or Additional Revenue Per Year
<u>Survey and Records</u> <ul style="list-style-type: none"> • Establish one group for all departments • Income for providing records over the internet 	B B
<u>Design/Inspection</u> Establish one group for all departments	B
<u>Fleet Maintenance</u> <ul style="list-style-type: none"> • Water Authority to buy land behind ROC Building • Sheriff's Fleet– all maintenance 	C (one time income for land) C
<u>Vehicle Use</u> Reduce fleet by sharing specified vehicles with various departments dispatched from Fleet Maintenance.	C
<u>Communications/Dispatching</u>	B
<u>Purchasing Savings (from DHSS)</u> Lower cost and enhance competitive bidding.	C
Value Engineering <ul style="list-style-type: none"> • To locate other sources of income: <ul style="list-style-type: none"> – Landfill income – Combine Record Management • Look for Opportunities to Use State Mandate Rules to Maximize County benefit • Implement better "Claiming System" for reimbursement from State 	C B C C

Key:

A – <\$100,000

B – \$100,000 to \$200,000

C – >\$200,000

B. COUNTY TO TOWN SHARES

The County to Town Shares Focus Group explored revenue and cost sharing opportunities, as well as intermunicipal cooperation. The following key points and recommendations for consideration with respect to the Budget review process and fiscal responsibility were identified:

Revenue From Services

The County could generate revenue by making some services available to other governments. A number of legitimate possibilities exist and such opportunities should be explored. For example, one revenue source area discussed at some length involved the process of identifying, applying for and administering grants as a means to offset operating expenses. Each municipality requires this service and could save money by contracting for it with Monroe County. In addition to assisting other government entities, the County would experience a positive cash flow position.

Reasonable Cost Sharing

The County, in recognizing its responsibilities to the community, should only pay for basic systems and not those that have been considerably enhanced. For example, there is a glaring need for the County to provide an upgraded radio system. It is reasonable, however, for the County to spend approximately \$25 million on a good system, and let participating municipalities pay for enhancements if they want them. There is no reason why other municipalities cannot share reasonable costs.

Intermunicipal Cooperation

The County should continue to work closely with the Council of Governments to expand upon the opportunities outlined in the Intermunicipal Cooperation Report of 2001. This report is a solid blueprint for cooperation and cost reductions. The Focus Group recognizes that this activity is already in progress, and urges that the process be accelerated to the maximum extent possible.

C. CULTURE, RECREATION AND EDUCATION

The Focus Group's initial step was to examine the Parks and Culture and Educational Services sections of the 2004 Monroe County Budget. This Focus Group also reviewed reports from the Blue Ribbon Commission on Monroe County Finances, Altreya Consulting LLC and The Rump Group which previously studied County operations to determine what ground has been covered and what, if any recommendations had already been made.

The Group held meetings with management from the Monroe County Parks Department and Monroe Community College to learn about operations in those areas. Discussions focused on how budgets were developed, how much of the funding came from the County Budget, how these monies were spent, how efficiencies in delivering services might reduce the amount of resources requested from the County property tax levy and looked for efficiencies to deliver services at current levels for a lower cost.

The Focus Group also questioned County management about funds granted to certain not-for-profit corporations, associations, and agencies to determine how those funds were used and what, if any, control the County had over the way these agencies spent those resources.

The Focus Group recognizes the significance of the County's financial contribution to Monroe Community College and urges the County to maintain its current funding levels. While this is certainly a challenge in the current environment, the County should, nevertheless, avoid the temptation to reduce its share of support for the MCC budget.

Inquiries of County management indicate that the expenditures for the Rochester Public Library as well as various arts groups are made without the ability to control how the funds are used. As such, no interviews were conducted with grant recipients. It is not known by the Focus Group if there is any obligation, either legislative or contractual, for the continued inclusion of these items in the budget. Assuming that these expenditures are totally discretionary, it is beyond the purview of this Focus Group, with its current charge of reducing costs through efficiencies while maintaining the current level of service, to recommend action continuing or discontinuing this support. However, during this period of financial stress for the County, serious thought should be given by management to the benefit the community receives for each of the appropriations made on this line and if that benefit justifies the cost.

CULTURE, RECREATION AND EDUCATION (CONT...)

Appropriations for the Monroe Parks Department have been reduced significantly in recent years through budget cuts. Further reductions in expenditures are possible, but only by a corresponding reduction of the service level provided to the community. However, some revenue enhancement opportunities have been introduced for consideration.

We endorse efforts by the Parks Department management to find ways to enhance revenues. The development of sponsorships and the selling of "naming rights" for facilities and certain events are currently being pursued. We also endorse efforts by the Parks Department management to explore the feasibility of awarding "pouring rights" to soft drink providers for some or all parks facilities.

While the management team of the Parks Department is enthusiastic about revenue enhancement, we recommend that a marketing consultant with experience in this field be engaged in order to maximize this potential revenue.

D. FEDERAL AND STATE SHARES

After a thorough review of Monroe County's current lobbying structure, the Federal and State Shares Focus Group of the Monroe County Budget Advisory Team chose to concentrate efforts on recommending a "positioning" strategy for the County. Monroe County must make it a priority to better position itself amongst a growing field of competitors in search of securing Federal and State funding, in both the short- and long-terms.

Both The United States Federal and New York State Governments recognize "lobbying" as a conduit for citizens and municipalities to petition government, seek redress of grievances and to influence legislation proposed by both the Legislative and Executive branches of State and Federal Government.

Monroe County must swiftly develop and implement a strategy that convinces Members of Congress from Western New York, as well as legislators in Albany, to support legislative and regulatory initiatives and funding that support Monroe County's priorities.

Research shows that Monroe County lags in Federal and State funding.

Per Capita Federal Funding for Selected New York State Counties

County	Census Population	Total Federal Funding	Per Capita Federal Funding	Rank
Onondaga	458,336	\$129,857,930	\$283.3	1
Westchester	923,459	\$227,190,113	\$246.0	2
Erie	950,265	\$185,586,015	\$195.3	3
Monroe	735,343	\$133,560,623	\$181.6	4
Suffolk	1,419,369	\$190,393,097	\$134.1	5
Nassau	1,334,544	\$178,013,000	\$133.4	6

Source: Calculations based on Office of the State Comptroller Summary of Annual County Financial Reports for Calendar year Ending 2002.

With respect to State funding, it's been shown that Rochester lags behind Buffalo and Syracuse. In fact, in his 2004 State of the City address, Rochester City Mayor William Johnson stated, "Buffalo receives \$351 per person per year, and Syracuse \$294. Rochester receives just \$217 per person per year, or 62% less than Buffalo."

Historically, members of Congress support projects that have the greatest economic benefit. This is particularly true of the New York Senators, who must set priorities based on a significant number of needs in a large state. As a result, Monroe County must communicate the importance of their priorities in such a way that members of Congress will make the County's projects a priority. Of the 13 annual Federal appropriations bills, all but one provide funding for projects supported by public sector agencies and municipalities.

FEDERAL AND STATE SHARES (CONT...)

To stand out in the crowd of other grant and aid seeking municipalities, Monroe County should consider hiring a representative with a successful record representing other public and private sector clients seeking Federal and State funds for projects and programs. An individual or organization with the depth of experience and influence that can identify and fully comprehend how the multitude of Federal and State programs operate, and maneuver successfully and swiftly within the political process of managing appropriations and awarding grants.

This representative would coordinate lobbying efforts through the Office of the Assistant County Executive and the Office of Grants and Reimbursements. The lobbyist would be responsible for coordinating all lobbying efforts of Monroe County and would work with the Assistant County Executive to develop an annual legislative agenda.

E. GRANTS

The programs and services provided by Monroe County to all its citizens are supported through multiple funding streams that include State and Federal aid to localities, the local tax levy, the sales tax, fees for service, State reimbursements, and grants. Unlike general aid and the tax levy, grants and reimbursements do not flow freely to the County. They are procured and maintained through a detailed application process and accountability system.

Grants and reimbursements are an important part of the overall funding strategy because they provide supplemental funds to enhance the delivery of vital services and replenish the County's local resources. However, they require a management system to oversee the development and submission of applications, as well as monitoring and analyzing the use of the funds.

The BAT had recommended the immediate formation of a Grants Office to oversee and coordinate a comprehensive grants management program that would provide service to all departments within Monroe County. As a result of this request, the Office of Grants and Reimbursements within the Monroe County Finance Department has been created. This office will become the County's point of contact for the application and management of grants and reimbursements.

The primary mission of the office will be to link the management of grants and reimbursements to the larger organizational mission and the County Executive's vision in order to plan for the future and contribute to the County's overall plan of success.

The Office will do this by:

- Ensuring the continued flow of government formula grants and maximize their use in order to minimize the net county support of services, while carefully monitoring grants requiring matching County funds, so that they do not become a drain on existing County resources. All grants should be examined for the administrative burden that will result by their acceptance, and all efforts should be made to ensure that all grants are, to the maximum extent permitted, charged for such administrative overhead.
- Coordinating grants management and applications on a Countywide basis.
- Facilitating the development of competitive grants in order to dovetail services funded through other sources.
- Analyzing the system of reimbursements in an effort to maximize reimbursements to the County, streamline procedures, avoid duplication of effort, reduce waste, and ensure that services are delivered efficiently.
- Monitoring, advising, supporting, and strengthening County departments as they manage their grant and reimbursement budgets.
- Coordinating with the Office of the Assistant County Executive to identify, prioritize and advance legislative, regulatory and other agendas in Albany and Washington, DC which collectively increase revenues from outside Monroe County and facilitate the ability of the County to deliver necessary services more cost-effectively.

GRANTS (CONT...)**2004-05 Goals and Objectives**

The primary goal is to build capacity in County departments to decrease net County support of programs and services through better management of formula grant funding, improved policies and procedures for social service reimbursements, and increased revenue by promoting an entrepreneurial pursuit of outside funding.

The objectives of the Office of Grants and Reimbursements should include:

- Conduct an environmental screen driven by the County Executive's priorities to target competitive grant opportunities.
- Increase the number of competitive grant applications submitted.
- Develop policies and procedures to guide outreach to departments in order to facilitate the pursuit of outside funding.
- Analyze how formula grants are used and make recommendations to departments on how to maximize their capacity to support programs.
- Analyze reimbursement systems and identify key factors that obstruct efficient application and management of funds.
- Enhance positioning at the state and federal level to increase grant awards.

F. MANDATED SERVICES

The 2004 Monroe County Budget indicates that 71% of the budget relates to "mandated services". Of the \$969.6 million of the 2004 adopted budget, \$688.4 million were categorized as "mandated services". The budget presentation further states, "After salaries and benefits primarily for the Sheriff's Department and other Public Safety services are added to our mandated costs, Monroe County's discretionary spending accounts for 16.9% of the proposed budget. This leaves little room to further cut the cost of providing needed services such as parks and road maintenance."

Given the projected \$25 million budget shortfall in 2004, and public assistance caseloads increasing beyond budget limits, it was clear that the analysis of how to achieve the necessary savings required a different approach than had been used in the past. The Mandated Services Focus Group, therefore, adopted the philosophy that "Services are mandated, but the costs are not." In other words, the Focus Group sought to search for new and more cost-effective ways to deliver the mandated services.

In meeting with the Monroe County Department of Human and Health Services (DHHS) staff, the Mandated Services Focus Group found very able individuals who are committed to their work. However, they only recognized one customer: the beneficiary. The Focus Group introduced the idea that another key customer is the County taxpayer. It was alarming to realize that there are currently 105,000 Medicaid beneficiaries in the County, with an estimated potential 100,000 additional enrollees. It is clear that we must learn to do more with less.

With the help of the DHHS staff, data and information was provided as requested by the Focus Group. In analyzing this data, ideas began to develop about how to approach the development of cost saving strategies. The committee also did some benchmarking of other counties in New York and other states where costs are not as high as in Monroe County. Based on this work a number of conclusions were drawn.

Medicaid Drug Benefits

In analyzing components of the DHHS budget, the Medicaid payments in the areas of greatest increase were looked at first. Medicaid drug benefits increased 159% from 1998 to 2003, at a cost of almost \$113 million in 2003.

Under the direction of the DHHS, an analysis of the drug payments was done. Findings of that analysis were as expected: the top 20% of the beneficiaries accounted for 81% of the costs. Further analysis indicated that the top eight drugs totaled over \$46 million, or 50% of all pharmacy costs, for care of 3,138 individuals. Additional analysis is being done by DHHS to identify physicians, ZIP codes where the beneficiaries reside, etc.

An important factor to note is that data issues were significant, and need to be a focus before the DHHS can improve its management. For example, primary diagnosis codes were missing from approximately 50% of the service costs, making it impossible to develop broader public health strategies for cost containment and reduction.

MANDATED SERVICES (CONT...)

More detailed analysis of the drug issues indicated substantial opportunity for cost savings through the following recommendations:

Payments for specific drugs are more than 100% of retail. To solve this problem will require the cooperation of NY State, which sets the rates, and contacts have been made in Albany to initiate this discussion.

Whereas most private insurance only allows for a one-month supply of a drug, Medicaid provides a three-month supply. It is known that many drugs are not taken. Therefore a multi-month amount would generate waste. Analyzing drug data for Monroe County would indicate that this is true, since individuals are seen to have multiple drugs for the same or similar diagnoses. Here again, this needs to be a discussion point with NY State.

Whereas private insurers have a formulary, which guides when certain drugs should be used and steers those writing prescriptions to the lower cost drugs appropriate for a particular diagnosis, this does not exist for Medicaid. Such a formulary could be established with the support of the Rochester Medical Society, which has been contacted and has agreed to help in this project. Once the formulary has been established, pharmacists, physicians and beneficiaries could be incentivized to use the lower cost drugs, while the ability to establish the formulary is getting approved by the State.

Other potential savings can be achieved through case management and public health strategies to improve care and reduce costs of high users. Diabetes, for example, the top non-mental health diagnosis, is behaviorally related. Focus on this diagnosis should reduce the \$8.2 million currently expended. The Monroe County Department of Health's activities should be focused on this disease, and help solicited from the Medical Society.

"Mental disorders," dementia, mental illness, mental retardation, developmental disabilities, and drug and alcohol disorders ranked second below "not coded," accounting for \$117 million in costs for 13,795 persons. Managing this population differently is critical to the cost containment initiative. When more data is available on physicians and ZIP codes, the Department must initiate strong case management.

DHHS was encouraged to expand the analysis to the top 30 of the beneficiaries and to complete the analysis by physician and ZIP code. It is important to continue to drill down through the data to develop management strategies to reduce costs. DHHS, in cooperation with the Office of Management and Budget is in the midst of this process. With this new look, and contrary to conventional wisdom, Medicaid costs can indeed be significantly reduced.

MANDATED SERVICES (CONT...)

Home and Community Based Services

Moving beyond the previous analysis, the Focus Group looked again at the categories of Medicaid spending. One of the most rapidly increasing costs within Medicaid, and featured in the 2004 Budget presentation, was the costs of Home and Community Based Services. By category these services have increased:

	Fiscal Year 1998	Fiscal Year 2003	Total % Change
Personal Care Services	\$2.7 Million	\$8.0 Million	189%
Home Health Aide Services	\$25.6 Million	\$24.7 Million	-3.5%
Waivered Home Based Services	\$31.7 Million	\$89.1 Million	181%

This data indicates that the service provided through regulated providers, like certified home health agencies (home health aide services) has been much more carefully managed than the services that are provided by others. The provision of these almost \$63 million dollars in services should be managed through the certified agencies, which have a mentality of fostering independence by teaching self care and providing support from family and other back up systems. Medicaid managed care has been identified by some as a key way to reduce costs of care of this population. The Focus Group did not have a high level of confidence in this approach, at least as it is currently managed. DHHS was charged with going back to the Monroe Plan, which manages this benefit, to establish new parameters.

Currently about 50,000 of the 105,000 Medicaid beneficiaries are in Managed Care. Many of those not covered are "carved out" through rules generated by the Federal and State government, and the provider itself. This means that many of the high risk categories of beneficiaries, like individuals with HIV or AIDS, individuals who have a language barrier, individuals under 65 years of age who are in need of treatment for breast and cervical cancer, Native Americans, etc. can not be enrolled. This means that the most expensive beneficiaries are not in managed care.

In addition, only about 25,000 of the 50,000 enrolled ever receive health care services, although a guaranteed payment for six months is made for all enrollees. Since the managed care portion of the coverage is only for the most well, and since half of those covered receive no benefits, the cost of the coverage should be greatly reduced. At the same time, more care management needs to be undertaken to reduce health risk behavior. Managed care needs to be more than "managed costs".

MANDATED SERVICES (CONT...)

The Monroe County Department of Health (DOH) should be made more accountable for the health of the population. The Health Action steps should be the dependents' outcomes, not the customer satisfaction measures listed in the 2004 Budget document. That is, every dollar spent by the DOH should be tied to Medicaid utilization targets. Public health investments should be tied to performance metrics. One extremely relevant way to measure the success for DOH would be the reduction of utilization of Medicaid. An obvious example is reducing the rate of premature and low birth weight infants. Monroe County has almost a 10% premature birth rate, higher than anywhere in the region and 5% above the US goal for 2010. DOH and DHHS should have aligned goals in disease management and prevention.

The opportunity for great simplification and cost savings is obvious.

This analysis, and other benchmark data, led us to recommend a lead agency concept. In essence this means that the government should be responsible for policy, contract management, investigations and quality assurance, contracting out service delivery.

DHHS expends a substantial portion of its budget in the delivery of mandated services. While the community derives true benefits from these services and the County is obligated to continue ensuring that such benefits and services are available, the organization and delivery of such services and benefits can be altered to both reduce costs and improve outcomes.

Shift Delivery of Services

Monroe County should consider re-defining its role in the provision of benefits and services. In the area of family and children's services, for example, the County should maintain the role of establishing policy and performance expectations. A fundamental change in who delivers the services will result in a reduction in both current operating expenses and future liability for payroll, pension, healthcare and other fringe benefits.

Through a competitive bidding process, Monroe County can contract out two major elements: contract management (performance metrics, benchmarking, contract compliance) and service delivery (prevention, detention, foster care, adoption). The County thereby maintains the ability to establish and control policy while allowing for a reduction in current and future costs. This outsourcing will create flexibility in the County's ability to adjust services (and costs) according to:

- Community need
- Changes in public expectation
- Quality of outcomes
- Changes in federal and state funding participation

<u>Monroe County</u>	>	<u>Contract Management Agency</u>	>	<u>Service Provider</u>
Policy Development		Performance Metrics		Preventive
Performance Expectations		Contract Monitoring		Foster Care
		Outcome Evaluation		Detention
		Benchmarking		Adoption

MANDATED SERVICES (CONT...)

The reduction in cost, together with the ability to accommodate to changing circumstances, and the ability to establish performance outcome expectations, combined with the ability to initiate or terminate service delivery contracts, positions Monroe County to manage mandated services with greater flexibility.

The actual reduction in costs will be directly tied to the number of services contracted out.

The BAT, as part of the process, encouraged DHHS to develop its own recommendation for savings. With the new approach of thinking about how to provide mandated benefits in more cost-effective ways, Department staff was able to develop 34 recommendations. This is a critical step, since the people doing the work know the most about the work. Those recommendations included ways to put more Medicaid beneficiaries into managed care, developing intensive case management strategies for high Medicaid users (the analysis showed one beneficiary alone had consumed \$727,185 of services), and a variety of financial strategies related to coverage, approvals and allowances, areas for privatization, and the like. This initiative was very positive, and these recommendations are under review at the County, within the DHHS and the Office of Management and Budget.

We believe that the involvement of DHHS staff in finding more cost-effective solutions signals their understanding that it is critical to improve delivery and reduce costs. We are encouraged that the Juran concepts of cost and quality (i.e. higher quality costs less), which have been institutionalized in the private sector, may be incorporated in public sector work.

G. OPPORTUNITIES — “OUT OF THE BOX” IDEAS

The Opportunities Focus Group of the Monroe County Budget Advisory Team was asked to recommend opportunities and potential "Out-of-the-Box" solutions for the County Executive to consider for implementation to the 2005 budget process. The Focus Group took a comprehensive review of the 2004 Adopted Budget, findings of several past Advisory groups, namely the on-going Case Commission, the Blue Ribbon Report of 2001, The Rump Group report of 2003 and the Altreya Consulting LLC reports of 2002 and 2003.

Along with the thoughts and ideas of the members of the Focus Group, the following report proposes opportunities and "outside the box" concepts that could be integral to initiating the change mandated by the voters of Monroe County in November 2003. That change, outlined in the platform articulated by County Executive Maggie Brooks, holds that budget stability can and must be achieved through streamlining, consolidation and more efficient government, rather than a reliance on increasing the property tax rate. The bottom line is that the County must think "Outside the Box" and implement every available opportunity now in order to face the financial challenges of today and position the County for the future.

The Focus Group acknowledges that many of these concepts may require a change in State and/or Federal statutes and/or a change in the political and legislative landscape in order to be implemented. Taking a long-term approach, these recommendations are a resource to be referred to by the current and future County Executives, County Legislatures and advisory groups.

Recommended "Opportunities" are outlined below:

I. Budget Process Opportunities

Initiate Multi-Year Budget Forecasting

Working exclusively with a "single year" budget lessens significantly any chance of reducing expenses and expanding revenues while allowing for debt reduction and avoiding deficits long term.

Starting with the 2005 Monroe County Budget, an additional two-year budget forecast should be included with the budget document that presents the expected impact of key program, policy, and funding decisions going forward. This will assist decision-makers in their assessment of the proposed budget as well as highlight the potential impact of/opportunities for change in existing and proposed local, State, and Federal programs and policies. The net result will be a better basis for decision-making that supports sustainable programmatic and fiscal health in Monroe County.

The existing County Capital Improvement Program (CIP) is already structured on a six-year basis. However, a debt service forecast that reflects the duration of all existing and proposed borrowings should also be included in the annual update of the CIP.

OPPORTUNITIES — “OUT OF THE BOX” IDEAS (CONT...)**Restructure the Budget**

The budget should also be restructured in order to more clearly define the areas under the jurisdiction of separately elected public officials. Accordingly, the budget should be presented so as to reflect those areas under the control of the following elected officials: District Attorney, Sheriff, County Clerk, County Executive and County Legislature.

Amend Budget Submission Date

The Monroe County Charter currently requires that the County Executive submit a budget to the County Legislature by the second Tuesday in October. New York State statute, however, requires that the budget be submitted no sooner than October 1 and no later than November 15. Because of the second Tuesday in October's proximity to the November general elections, the budget process has often been the subject of partisan political rancor by each of the parties that has marred the process. Accordingly, it is our recommendation that the Monroe County Charter be amended to require submission of the budget by November 15th, in order to remove from the budget process the partisan political posturing coinciding with general elections.

Present Budget and Forecast in Terms of Mandated and Non-Mandated Services

Starting with the 2005 Monroe County Budget, the budget and budget forecast should be structured in a fashion that presents the costs, revenues, performance standards and outcomes for all County programs and services based on whether or not they are mandated on a State, Federal, or other basis. This structure will enable decision-makers to focus their efforts on those elements of the budget over which the greatest immediate degree of control exists, and develop strategies to address the legislative, administrative and regulatory bases for mandated services that result in sub-optimal results, disproportionate costs relative to benefits, and other outcomes that are inconsistent with County priorities, including strong and sustainable programmatic and fiscal health.

This structure will also provide taxpayers with a better basis for understanding the significant impact of mandated services on their tax bills.

Accordingly, the Monroe County Executive should submit two separate budget documents to the Monroe County Legislature, comprised of the following:

- A. Under funded/Unfunded State Mandate Budget
- B. Non-Mandated/Local Purpose Budget

This would clearly depict to the citizens of Monroe County, the County Legislature and New York State elected officials the tremendous burden placed upon Monroe County by outside authorities and define what portion of the budget is under direct local control, and truly within the scope and influence of the Monroe County Executive, Legislature and other elected County officials. Although the BAT recognizes that some efficiencies are possible in the delivery of mandated services, it is important to note that a substantial part of the County Budget continues to be dedicated to paying for programs required by other levels of government without accompanying funding.

OPPORTUNITIES — “OUT OF THE BOX” IDEAS (CONT...)**II.) Expense Reduction Opportunities****Telecom Opportunities**

Over-billing for telecom services is a virtually inescapable problem that plagues most every corporation and institution, especially those whose telecom infrastructure (including cell phones, pagers, internet services, local and long distance services), like Monroe County's, is used by thousands of employees from multiple sites.

A comprehensive audit of Monroe County telecom invoices may identify significant over-billing errors, which the County would be able to recover. Preliminary estimates indicate the County stands to recover, at a minimum, \$25,000 to \$75,000.

A telecom audit of this magnitude would also provide the data foundation required for Monroe County to significantly reduce its telecommunication expenses and vastly improve IT telecom budget planning and reporting.

Telecom invoice management, a relatively new business application, has the unique capability to collect and centralize data for all telecom services used by organizations such as Monroe County with multiple sites.

By centralizing all telecom data to a web-based database, Monroe County could conservatively reduce telecom expenses by 10% to 30%, \$300,000 to \$900,000.

Telecom savings and budget efficiencies are realized because the centralized database:

- Provides current inventory and activity of all telecom services
- Provides current billing data useful for budget reporting and planning
- Catches billing errors that can save thousands of dollars annually
- Integrates cost to enterprise accounting systems
- Customized for specific reporting/budget needs
- Provides rate analysis
- Stores invoice records in one centralized location

The service can be outsourced to a local business or County personnel can be trained to use the database.

OPPORTUNITIES — “OUT OF THE BOX” IDEAS (CONT...)**Outsource Payroll Function**

Three departments are currently charged with direct responsibility for the payroll function. They are Human Resources Department, Controllers Office and Information Services. With over 5,000 full and part time employees in 26 departments, represented by eight unions, the payroll function for Monroe County is a massive, labor-intensive expensive biweekly undertaking. Information Services currently maintains the in-house payroll software. Except for usage of a third party primary keypunch function, the payroll process is performed entirely in-house.

Six steps make up the payroll process:

- Time sheet preparation
- Time sheet review by Supervisor
- Time sheet review by Department Manager
- Human Resources reviews information for accuracy, balances payroll and then forwards information to Information Services
- Information Services prints and distributes checks and reports to Controllers Office
- Controllers Office reconciles payroll account, administers 3rd party garnishments and pays Federal and State tax preparations and payments.

The current situation is a manual, time consuming and error-prone system. No single department takes responsibility for the payroll function, cost, accuracy or compliance.

The recommendation is to centralize payroll and pay entry responsibility with the Finance Department and authorize the Finance Department to outsource significant portions of the payroll function to a third party entity as warranted. Monroe County is preeminent in the payroll-processing marketplace. Our County is the home to five independent firms, any one of which is capable of assisting the Finance Department with ensuring the following:

- The County is continuously compliant with Federal and State tax withholding issues.
- IT/IS would not be responsible for software licensing or enhancements
- There would be reduced dependence on the Human Resource Department for basic information.
- The Finance Department would be responsible for the entire payroll function
- Costs associated with payroll are reduced significantly.

A review completed in 2001 by the Case Commission estimated that outsourcing payroll could save the County \$300,000 annually.

OPPORTUNITIES — “OUT OF THE BOX” IDEAS (CONT...)**III.) Revenue Opportunities****Sell Excess Capacity Rights on County Owned Fiber Optic Network**

As Monroe County continues to expand and enhance its fiber optic network, there is an opportunity to enhance revenue to the County by selling (mainly to the private sector) excess network capacity. County Central Services is reviewing this recommendation to identify any potential revenue sources. The initial revenue calculations are anticipated to be in the range of \$250,000 to \$500,000.

IV.) Streamline Purchasing Process**Centralize purchasing function within the County**

Centralizing purchasing functions within the Purchasing Unit exclusively could yield an immediate savings of 5% to 10% for items not currently bid through centralized purchasing. Currently, a significant amount of purchases are made without the approval, negotiation or oversight of the Purchasing Unit.

Consider Creation of a Purchasing Consortium

Coordinate purchasing with towns, villages, the City of Rochester, and other municipalities so as to take advantage of economies of scale that provide for the opportunity to experience volume discounts. Since numerous purchases are repetitive or procured at a specific point in time each year, coordination of purchases could produce considerable savings to the County.

Surplus Bidding Auction

We endorse the practice whereby Monroe County, at least once a year, performs a surplus-bidding auction. The County holds a public auction to divest itself of all cars, equipment, furniture and property that no longer is of use to the County.

Encourage Short Term Discounts with Long Term Contracts

Private sector businesses generally are hesitant to bid on or seek government contracts because government is generally a low profit-margin business which pays slowly. Government often withholds payment on invoices for over 90 days or even longer if operating dollars are tied to reimbursement from the Federal or State governments. One idea that was discussed by the Opportunities Focus Group was to initiate a "short term discount with a long term contract". The idea is that a vendor will discount the price of goods or services and sacrifice any initial profit in trade for a long- term contract that is paid on time. (i.e. 1 to 3 years). Unlike government, most small businesses in the private sector survive on cash flow. Being able to lock-in steady business with a steady cash flow in trade for a low cost (discount) to a municipality is a risk that most small companies would agree to accept. Initiating an overall concept as this may be in the best interest of the County for two reasons: 1). New vendors are introduced to the County, and, 2). Significant discounts may result from implementation.

Any chance for this concept to be implemented successfully is contingent on coordination among the Purchasing, Finance, and Law Departments. This recommendation may require further study as to its consistency with current applicable state law. If legal impediments prevent implementation, the County should lobby the State for change.

OPPORTUNITIES — “OUT OF THE BOX” IDEAS (CONT...)**Utilize State of New York Purchase Contracts**

The State of New York offers to municipalities the ability to purchase large blocks of equipment through prior negotiated purchasing arrangements. General Services Administration and Plan "B" Office of Temporary and Disability Assistance are examples of state purchase plan schedules. New York State has the ability to command volume discounts by constantly issuing proposals to seek the lowest possible price. Monroe County should not restrict purchases to any one purchasing schedule but seek to choose the schedule that works in the best interest of the County for each individual purchase situation. Coordination with the grants office could represent a shared State/County cost.

Eliminate Sealed Bidding Process

Discussions with County purchasing agents and consultants familiar with bidding practices in the private sector yielded discussion that denigrated the sealed bidding process. Once heralded as the best option to determine the "winner" of a low cost bid for a project or service contract, today "sealed bidding" is grossly inefficient, outdated and ends up costing the County more in the long run. Reasons why the bidding process is rarely used in the private sector and less throughout the government sector is that the purchaser is severely limited by the inability to negotiate. With items, construction projects, the advent of ultramodern materials and innovative processes, projects and service contracts can pose complex situations that a "One shot, low cost bidder take all" concept does not allow. The ability to eliminate or even scale back on sealed bidding is mandated by New York State law. It would be in the best interests of the County to lobby for repeal of these laws and place all bidding at the discretion of the County governmental process.

Implement an "E-Bidding" System for Procurement

Monroe County should consider lobbying for change in the existing laws that regulate the purchasing process as concerns "electronic bidding". Currently, the manual processes for project proposals, inventory and supplies acquisition and surplus auctioning reduce the ability of Monroe County to effectively and efficiently manage the purchasing process. The net result is that the process results in higher costs to the County.

Industry case studies indicate that purchase of indirect materials will undergo an average cost savings of 24% to 29% if electronic bidding is utilized. For example, IS support related purchase costs are estimated to be reduced by an average of 24%, building and plant services by an average of 24% and office supplies/equipment are estimated at s 29% savings.

An electronic purchasing technique gaining popularity throughout the country is a process called a "reverse auction." Currently not permissible by law in Monroe County, reverse bidding allows for a municipality to post electronically via a web site an item that it seeks to procure. Authorized bidders then have a stated time frame to "bid-down" the price at which they are willing to sell the item until the bidding is closed.

OPPORTUNITIES — “OUT OF THE BOX” IDEAS (CONT...)**V.) Economic Development Initiatives****Promote Local Purchasing**

The County Executive, as the leader and chief spokesperson of the community, should use her high profile position to promote “Local Purchasing.” Encouraging Monroe County residents and businesses to buy local products and services supports local business and brings additional sales tax revenue to the County.

County Ambassador Program

Recruit students from the Rochester Institute of Technology Hospitality and Service Management school to spread the word about Monroe County. A great place to start this program would be the new ferry terminal and the Monroe County airport and any other public venue. Educate the citizens of Monroe County about the “Best Practices” initiatives being implemented by the County Executive.

Community Input

Institute a community-wide contest to seek unconventional ideas for revenue enhancements and expense reduction, and annually award (acknowledge) citizens who submit these ideas. This contest is to be funded exclusively by the private sector, and would be open to all citizens, including children, to encourage citizen involvement with the budget process of their community. This would be a terrific forum to better educate the public as to the challenges and tasks of our public officials. Ideas can be received via e-mail or a toll free 800 # donated and reviewed by the private sector.

VI.) Creative Usage of Existing Facilities To Produce More Revenue and/or Reduce Expenses**Sponsorship/Naming rights for Monroe County Parks**

This could involve the one-time purchase of naming rights, or renewable, ongoing sponsorship opportunities, depending on the level of financial investment and the nature of the sponsorship.

(Refer to Culture, Recreation and Education Focus Group Report)

Incentive Program For County Employees

Currently there is no monetary incentive program for County employees. Spirited discussion among the Budget Advisory Team focused on the difficulties of implementing such a bonus plan within the governmental sector. After much discussion on this topic, the recommendation of the Opportunities Focus Group is to create a private sector sponsored recognition and rewards program for County employees who have improved efficiency and/or initiated cost reduction solutions for the County. An award would go to one individual per County department. This program would be funded by the private sector. Eligibility would be for all County employees and nominations would be submitted by the County Executive through her own initiative or upon the recommendation of the corresponding department head. Non-government community leaders would carry out judging, and the County Executive would bestow the awards.

OPPORTUNITIES — “OUT OF THE BOX” IDEAS (CONT...)

“Pay to Stay” – Revenue Program for the Monroe County Jail

The highest percentage expense increase in the public safety budget is maintaining the Monroe County Jail. The jail continues to demand a proportionately larger amount of County financial resources just to maintain a safe facility. As prison populations increase, the need for additional resources strain the system. Reducing the prisoner to guard ratio would not only be dangerous to the Sheriff Deputies, but also to the prisoners as well. State laws and Union regulations provide for specific prisoner to guard ratios. Over the past 10 years, prison populations in our area and throughout the United States have surged, as have the expenses associated with maintaining these facilities.

A growing national trend to force prisoners to help cover the costs of their stay in prison is presently under way. “Pay to stay”, a concept that first took hold in the mid-1980s, has spread throughout the United States. Today, approximately one third of the country's prisons have some sort of “pay to stay” concept.

From January through April 2004, approximately 1,432 (convicted) prisoners were in the Monroe County Jail system. According to the 2003 Cost of Operation Report for the NY Department of Correctional Services, the average cost to hold a prisoner per day is approximately \$103. If each prisoner were charged \$50 per day, the result would be additional revenue to the budget. At the same time, the program could serve as an added crime prevention measure.

Arguments against this concept range from legality issues to perceived ethics violations, along with collection problems. Many individuals and prisoner rights advocate groups maintain that holding inmates is the (financial) responsibility of the government, exclusively. Many counties, though, believe otherwise and have overcome all such alleged ethical and legal challenges and are able to supplement the increasing costs of incarcerating convicted felons. Court challenges have generally ruled against prisoners in this regard. Charging a prisoner for his or her stay is easily accomplished; actual collection of the fees charged is another matter. Some counties look at the process as a long-term investment, often supplementing the entire program with successfully extracting payment from wealthy criminals or withholding charging fees until after a criminal has left prison. Either way, implementing a process like this may work for Monroe County. To prevent valuable resources from being diverted to the collection process, the County should consider outsourcing both administration and collection to a local professional collection agency.

OPPORTUNITIES — “OUT OF THE BOX” IDEAS (CONT...)**Center for Civic Entrepreneurship**

Early in the course of meeting, the Budget Advisory Team established a desire to see its work move from recommendation to implementation. The County is experiencing intensified demands for improved effectiveness and sustainability of services in light of decreased funding and increased competition for limited resources. To assist the County Executive and her team to accomplish the goals of fiscal stability, a vehicle is needed to drive implementation of innovative improvement plans while focusing on civic excellence. It was decided that a Center for Civic Entrepreneurship was needed to serve as this vehicle for change.

Such a Center, established at the County level, would bring an entrepreneurial orientation and simultaneously work toward fiscally sound solutions already identified, while educating and mentoring County employees to continue to identify problems and solutions.

Goals of the Center for Civic Entrepreneurship are many and include:

- Assisting the County, as needed, in the implementation of the recommendations contained in this report.
- Develop an entrepreneurial orientation within County government.
- Strive for increased efficiency and accountability from our tax dollars. Focus on innovative problem solving through novel means and funding.
- Create, solicit, consolidate and prioritize County initiatives for change. Catalyze culture of entrepreneurship through modeling, training and mentoring of County employees.
- Serve as an interface between County government, business and residents.
- Promote private sector participation in local government.
- Reinvigorate civic processes.
- Contribute to an environment supportive of the innovative process.

The initial funding for the Center would need to come from a charitable foundation or “angel” with ongoing support paid through sharing of the savings realized from Center activities. With each budget cycle, as the Center is more and more successful, savings will be reduced and eventually the Center would cease to exist. At that point, the hypothetical optimal point of County operations would be accomplished and the Center would no longer be needed.

H. PERSONNEL

The Focus Group's objective was to identify potential savings in the budget relative to personnel issues. Meetings were held with County personnel executives and a UAW union leader. Several calls were also made to the heads of the various unions represented at the County.

Monroe County employees are represented by eight Unions:

- Civil Service Employee Association
- Civil Service Employee Association Sheriff's Command
- Monroe County Federation of Social Workers
- Deputy Sheriff's Association
- Monroe County Sheriff's Police Benevolent Association
- Monroe County Law Enforcement Association
- International Association of Fire Fighters
- International Union of Operating Engineers

Based on all of the discussions, the conclusion was made that the area of largest impact is in the benefit plans provided to current active employees and retirees. This is also an area of great emotion for the employees and their union representation. Therefore any recommended actions must be communicated fully, effectively and in a manner that allows people to feel that they still have options available to cover their needs.

Key Points of Consideration:

- Retirees from the County receive free healthcare coverage for life if at retirement age they have five years of service.
- Must have equality of sacrifice, both between the various unions and management vs. hourly. Department Heads have not received raises for three years. Other Management has not received raises for two years.
- The County offers too many different plans
- Plan coverage options are out of line with the rest of the community.
- People are over-insured (coverage is greater than actual need or use)
- Current plans allow for any employee to choose any available plan.
- County workers have an expectation of as much as a 4% salary increase. This is out of line with average increases in the community as well as nationwide.
- Must have both short-term and long-term cost containment.
- County employees do not see this as a business to be run effectively for the taxpayers.
- Healthcare benefits should be offered through a more cafeteria-type approach.

PERSONNEL (CONT...)

Recommendations:

- Convert County healthcare plans from community rated products to experience rated products.
- Analyze healthcare utilization data and proceed with self-insurance if favorable cost savings can be realized
- Reduce the number of healthcare plan options available to employees. Retain those that still provide adequate services at a lower cost.
- Eliminate the higher cost plans or limit the availability of those plans (wage grade or position restriction). Currently the expenditure per employee is out of balance with the employee value.
- Increase employee contributions toward benefit plans with the County paying a higher percentage of lower cost plans. The employee can still chose a higher cost plan but has to pay to be in the plan.
- Define an actual near-term goal. Is it a zero sum gain for 2005 (off-set increases with other cutbacks) or a reduction by a certain percentage. Then define the yearly goals going forward.
- Revise the healthcare for life concept. Increase the years of service required and other eligibility requirements.
- Reduce the benefit plans for future retirees. Limit/reduce plan options or offer flat dollar contribution for plans.

In pursuit of these recommendations, the County should begin by benchmarking local businesses of equivalent size, as well as other County governments, with respect to benefit plans, their cost and employee contributions; the number of paid holidays, vacation days and sick days; and the average wage increases over the last five years, as well as projections for the next year.

The County should also conduct an employee census to determine which benefit plans most employees are using; the demographics of County employees (age, years to retirement, years of service, average age of population); the number of retirees expected within the next one, three, five and 10 years; how different cost-cutting options will effect current population; establish goals for the coming year as well as a long-term (five-year) plan; and encourage each union to designate an individual who is willing to be involved in finding the solutions. Thus far, no union leadership has come forward. This should be encouraged. This situation can be resolved best if a spirit of cooperation can be achieved.

I. PRIVATIZATION/OUTSOURCING

The initial steps taken by this Focus Group involved determining which privatization targets would yield the maximum financial benefit to Monroe County, and review of the Altrey Report and the Blue Ribbon Commission Report. The effects of job displacement and public relations were not taken into consideration.

Why are private sector companies generally more efficient, more customer-oriented and more innovative than government? The answer is that private sector companies are in competition and will fail if the goods and services they provide are not thought to be of good quality at an affordable price. Government, however, has been free to monopolize the delivery of services while providing no guarantee of cost or quality. This has led to the creation of a sub-standard culture of customer service. At the same time, the economic situation, and the revenue opportunities to Monroe County government, have changed significantly. The time has come to reverse these trends, and privatization or "marketization" can be the key.

Take Advantage of Additional Revenue Opportunities at the Mill Seat Landfill

The opportunities for generating additional revenue to the County through enhanced use of the land at the Mill Seat Landfill are numerous. The County should make it a priority to examine expansion of the landfill, the addition of out-of-County waste, and the identification of possible on-site business partnerships that can take advantage of available land at the site as well the energy resources naturally generated by landfill operations.

Explore the Alternatives for Privatization and/or Outsourcing of The County Medicaid Burden

Without question, the clearest source of savings for Monroe County lies in the Medicaid area. The Rump Group report estimates cost savings to be in the neighborhood of \$30 million by a "project to deliver social services more efficiently. Immediately, consultants from this arena can be identified through the website, www.privatization.org, or directly from The Reason Public Policy Institute.

The County should retain experts to begin the process of reengineering the overwhelming program of social service delivery and thereby relieve the County of a portion of the cost. This Focus Group believes that the cost savings lie in the reduction of personnel and labor costs, as well as in the potential incentives for the vendor to participate in lowering prescription and other medical expenses.

Continue the Civic Center Energy Project

As the Altrey Report indicates, the County's contract with Monroe Newpower could result in a positive impact of as much as \$2 million. This would require the privatization of the chilled water plant and development of a new plant for steam and electricity for the complex.

Expand the Purview of the Conflict Defender's Office

The County should seek an expansion in the responsibilities of the Conflict Defender's Office to handle felonies. Currently, the Office only handles misdemeanors. Expanding the Office to also handle felonies would result in a significant reduction in the cost of hiring outside counsel to deal with these cases.

PRIVATIZATION/OUTSOURCING (CONT...)**Monroe Community Hospital**

Continued operation of Monroe Community Hospital is estimated to result in on-going net losses to the County of \$7 million to \$9 million each year. Given that this trend is unlikely to reverse itself and, indeed, will likely worsen, the County should give serious consideration to outsourcing the management and staffing at the hospital, as well as the outright sale of the hospital to a private management company. It is also possible to look at restructuring the hospital, for example, converting some beds into a long-term acute hospital.

Outsource Prison Management

There are a number of prominent national firms that specialize in correctional facility management. These companies should be brought in to review the potential cost savings for our area. As an example, presently there are no incentives for any member of the Sheriff's Department to aid in saving County resources. When private enterprise is engaged, creativity and competition thrive. With the jail personnel number in the hundreds, salary and benefit savings would be significant.

J. PUBLIC SAFETY

The Public Safety Focus Group used the findings of the Altreya Report, the Blue Ribbon Commission Report, the Council of Governments/Rump Group Report, and held discussions with the Monroe County Public Safety Director, District Attorney and Sheriff.

The Focus Group recommends the following:

Communications System Upgrade

A Communications System Upgrade is necessary and the costs of such should be borne by the County for the basic system. Any enhancement requirements from Towns and Villages would need to be funded by those entities. A basic service benchmark should be set. The type of system to be purchased should be a basic system that can be built upon as more funding allows.

Establish a Grants Department

A Grants Department to provide grant application and writing service to the Monroe County District Attorney's Office and the Sheriff's Office should be established. The Public Safety Focus Group supports other Focus Groups in their analysis that a grants office is needed.

We are pleased to note that this is a recommendation already being implemented by the County Executive.

DA's Role in Municipal Courts

The County should consider a re-examination of the role of the District Attorney's Office in municipal courts and the scheduling of their support.

Jail Staffing Evaluation

Staffing increases due to the new jail should plateau this year. Staffing in this area should be evaluated on a regular quarterly basis in light of periodic shifts in the inmate population. Accordingly, if the jail population decreases, adjustments in staffing should follow suit. One way to accommodate these adjustments would be through attrition.

Creative Personnel Incentive

Consideration should be given to a restructuring of staffing so that cross training would allow for current Deputies interested in additional hours work at the jail facility on an overtime basis. The savings associated with this type of scheduling would be a decrease in the amount of health benefits paid. In addition, this would be an attractive option for those considering retirement or currently retired in order to supplement their income.

Sheriff's Department Fleet Management Audit

An audit of Sheriff's Department fleet needs to be completed on marked and unmarked vehicles, to determine if any opportunities exist for savings through better fleet management. The audit should include the type of vehicle, use and longevity.

Fleet Consolidation

Consolidate Sheriff's Department fleet maintenance with Monroe County Department of Environmental Services Fleet Maintenance as recommended in the Altreya Report or possibly contract the service to private firms.

K. TECHNOLOGY/INTEGRATION/REORGANIZATION OF SERVICES

The Technology/Integration/Reorganization of Service Focus Group met with the staff of the Department of Information Services (IS) three times over the course of four months. Additionally, Strategic Planning for Information Technology recommendations from the Altrey Report were reviewed, as well as IS management's response to those recommendations. The committee also reviewed the draft IS "Strategic Plan Overview". A smaller subgroup of members met with representatives from Dell and IBM to initiate discussion around innovative pilot projects that could be undertaken through a partnership between the vendor and the County. It is hoped that such a partnership would yield a high performance Information Technology (IT) system at less cost to the County through novel funding opportunities such as tapping vendor-related foundations.

The Technology Advisory subcommittee recognizes that information technology is a vital component of the move to improve costs and efficiency of the County government. Despite the fundamental place in County operations, IT infrastructure has been chronically under funded and has suffered from a lack of long term strategic planning. This is due to the fact that its responsibility is diffused throughout the various organizations within the County.

IS management has initiated a strategic plan overview that emphasizes "A fully integrated, scalable and modernized enterprise in which all County departments, offices and municipalities can securely access information on-demand to deliver government services promptly to the citizens of Monroe County in an effective and efficient manner." The Focus Group endorses this vision and the efforts needed to fulfill it. In addition, the Focus Group identified the other key action areas.

- Because County operations require a fully operational and integrated IT system, it is not expected that savings will be found through IT this budget cycle. Accordingly, the County should prepare a multi-year strategic plan for Information Technology that establishes priorities, guides investment and development, to produce economic efficiencies and better service in the future. This effort should include a thorough investigation and review of opportunities, as may be appropriate, to outsource IT functions or establish public/private partnerships in pursuit of these goals.
- Accelerate the process of consolidating all IT functions, resources and purchasing under the Department of IS.
- Immediately require that all IT funding and budgeting activity goes through the Director of IS to the Budget Office.
- Aggressively pursue urgent needs such as updating mainframe running mission critical functions, including possible outsourcing options.
- Immediately address telephone system upgrade including purchase of equipment needed to manage system independently eventually offering services to other municipalities as a revenue source.
- Reconvene the Information Management Planning Board (IMPB) under the Director of Information Services with the expanded charge of multi-year strategic planning at the County level. Add volunteer subject matter expert advisors to IMPB to enrich its knowledge base.
- Continue to develop and implement action in the key results areas of enterprise architecture, information sharing, workforce management, procurement and constituent service.

TECHNOLOGY/INTEGRATION/REORGANIZATION (CONT...)

Tapping the talents of a range of creative and successful County residents, the Service Integration Focus Group met to evaluate the questions: "What processes cut across Department lines? Which of these can be changed or modified to allow process improvement leading to reduction of costs?" The committee looked for process improvements rather than service cuts.

From the discussion came the following recommendations:

Distributed County Service Center

Create a matrix listing all County departments in a column along the left side and all services and or work processes along the top. Each cell would then be filled it to show where common processes occur. This information could lead to a distributed county service center where multiple functions could be done at a single site.

Standardization/Consolidation of Processes

To identify common services across sites and departments, "follow the money and paper." Examples of processes that lend themselves to standardization/consolidation include: collection and payments, contracts and document management.

Consolidation of Services vs. Outsourcing

While outsourcing services is a popular concept intended to reduce operating costs, careful evaluation is required to assure fit with strategic intent and long-term savings. Once the necessary analysis is done, performance standards are set and a service is planned for outsourcing, an opportunity should be given to the unions and community providers to bid on providing the service.

Interdepartmental Collaboration

Improving communication and understanding between departments could lead to improved opportunity identification and problem solving. Specific recommendations for accomplishing this included cross-training of staff and better use of Sector and Department Head meetings by expanding the agendas to include problem- and solution-sharing.

Cross Departmental Goals and Targets

Because most, if not all, of the work of County Departments could be improved through collaboration with other Departments, cross-departmental goals should be established. As an example, areas for public health intervention should be determined by evaluating the "hot spots" identified through Medicaid utilization data. In this way, public health dollars become an investment in the health of our community and success can be measured though tracking changes in Medicaid utilization.

L. TRANSPORTATION

After meeting with the BAT and the Department of Transportation, the Focus Group's main objective was to identify opportunities and efficiencies translating into long-term savings for the County. The goal is to identify such opportunities while maintaining a quality of service as well as a common overall perspective of the total budget. In addition, the Focus Group set out to review information contained in the Altreya Report, the Council of Governments/Rump Group Report, the Blue Ribbon Commission Report, and those portions of the Monroe County Budget dealing with the Department of Transportation.

Shift Road Maintenance Responsibility

The County provides the City, through the Capital Improvement Program, \$2.5 million annually for the improvement of arterial streets, and as traffic engineer for the City is responsible for all pavement markings, traffic signs, and traffic signals. The County does receive reimbursement from the City for pavement markings done on residential streets. The Focus Group recommends that the County and the City explore the possibility of transferring the responsibility for funding these improvements to the City.

Management and Evaluation of Energy for Signalization and Lighted Roads

Costs associated with lighting non-County highways should be allocated to the appropriate level of government. Doing so would substantially reduce costs incurred, primarily in the lighting of State highways. Although the New York State Department of Transportation installs new poles and electric service conduits on State highways, the County incurs the cost of energy supplied to those conduits.

Management of the Purchase of Energy with Usage and Kilowatt Hour Analysis

Continuous review and analysis of the sources from which energy is purchased is recommended. Instituting a regular review of the usage and kilowatts per hour can more effectively target those areas where savings may be realized.

Outsourcing of Maintenance Services for County Roads

As discussed in the Privatization/Outsourcing Focus Group report, it is recommended that the County institute a bidding process whereby costs for items such as sign and signal maintenance, necessary road repairs, and pavement striping are tested against private sector proposals for price and performance of such services. A substantial savings in County overhead and an increased level of service are the anticipated results.

Institute and Coordinate Appropriate Fees for Services Provided to the Community for New Projects

Through careful assessment, an appropriate fee base for services provided by the Department of Transportation can and should be established to increase revenue so as to recoup costs while also maintaining a position that is friendly to appropriate development.

M. USE OF MONEY AND PROPERTY

The Use of Money & Property Focus Group set a goal of removing politics and emotion from the budgetary review process. The following recommendations are based on sound business practices and should help return Monroe County to a solid fiscal foundation.

The Group started by reviewing areas that could fall under the analysis of this subcommittee. The following areas were identified:

- Financial Guiding Principles
- Cost Controls and Revenue Enhancements
- Debt Service
- Capital Budgets
- Interest and Investment Income
- County owned and Leased Property
- Insurance
- General Organizational Issues

While all areas of the budget are important and need to be addressed, this subcommittee focused on issues that have a direct impact on the General Fund as well as procedural and organizational effectiveness. The goal was to maintain a high level of service delivery while reducing cost of service delivery. The subcommittee used a variety of methods to reach its goals. Meeting were held with management representatives of various departments, prior advisory reports were reviewed and drawn upon for work experiences. The following Departments met with and/or supplied information to the subcommittee on seven different occasions:

- | | |
|-----------------------------|--|
| • County Executive's Office | • Finance Office |
| • Budget Office | • Personnel Office |
| • Real Property | • Department of Environmental Services |
| • Information Services | • Altreya Consulting LLC |

Cost Savings & Revenue Enhancements Recommendations

Upon reviewing previous Budget committee reports, Blue Ribbon Commission, The Rump Group Report, and the Altreya Report, the Focus Group identified common themes throughout the four reports. With these themes in mind, the subcommittee decided to review the Business Operations Review portion of the Altreya Report (December 2003). The purpose was to rank the recommendations of this report in three levels based on likelihood of the outcome:

- High: 90% likelihood of achievement. Recommendation mostly controlled by Monroe County.
- Medium: 60% likelihood of achievement. Recommendation mostly controlled by Monroe County, but could affect outside agencies.
- Low: 20% likelihood of achievement. Recommendation requires changes at State level or Union approval to achieve results.

USE OF MONEY AND PROPERTY (CONT...)

The following is a non-prioritized summary of the recommendations that scored high and should be considered for immediate implementation by Monroe County (for a complete listing of rankings, see the table at the end of this Focus Group report):

Stable Property Taxes

The County should change its policy to take advantage of the natural growth in the local tax base. This change would result in a level tax rate for residents while capturing additional revenues for the County. The County should develop a strategy for the use of these funds. (i.e. Fund Balance Enhancement, Tax Stabilization Reserve, Economic Development, Venture Capital Seed Fund, Debt Reserves, Capital Reserves)

Create a Grants Management Office

The County must aggressively pursue grants to offset current and future expenses. Grants should be for current services and no new services should be added unless fully paid for, i.e. no "matching" components should be funded by the County, except in rare cases.

Reduce Fleet of County Vehicles

The County should go to a pool system for vehicles and not assign vehicles for commuting use. All vehicles should be "turned in" and a fleet review committee established to determine employees who can justify having a county vehicle assigned to them 24/7.

Reduce Insurance Retention Fund

The County is self-insured for property and casualty, and maintains a reserve for claims made. This fund should be reviewed to see if over funded and release excess funds.

Increase Seneca Park Zoo Admissions

Admission fees should be increased to be comparable with like institutions in the area.

Reduce Cost to Provide Road Striping Service

The County should review the fee structure and service costs to become more competitive with the private sector. If unable to compete, outsourcing this service should be considered.

Implement Plan Review Fee

Fees should be charged for plans submitted to various County departments for review. Currently, fees are only collected for permits. These fees should be reviewed to verify that internal costs incurred during the review and issuance of permits is covered.

Revise Department of Public Health Fees

Fees should be increased to cover costs associated with various reviews and testing.

Market Fleet Vehicle Maintenance

The County should market fleet maintenance to other municipalities to service vehicles for them, or if this cannot be achieved, consideration should be given to outsourcing this function.

USE OF MONEY AND PROPERTY (CONT...)**Increase Approval Limit for Professional Services Contracts**

This could offer staff efficiencies and expedite workflow throughout County departments.

Optimize Referral Process between Law & Human Services Departments

Increased and improved communication could eliminate duplicate or services where clients do not qualify for benefits.

Recommendations for Procedural and Organizational Effectiveness**Initiate Multi-Year Budget Forecasting**

An annual budget with a two-year budget forecast should be prepared for review and implementation. This will improve the County's ability to plan and program resources, help identify and prioritize a change agenda in Albany and Washington that better serves our community, and help us to better understand and manage the consequences of current year decisions on future budgets.

Rebuild County Reserves

A Tax Stabilization Fund should be established and funded with cost savings and annual appropriations.

Implement Budgetary Performance Measurements

Performance Measurements should be developed and implemented to determine if financial and service goals are being met.

Establish Real Estate Advisory Committee and Return Excess County Properties to the Tax Rolls

A Real Estate Advisory Committee should be formed and County owned and leased property should be reviewed for optimal usage and efficiencies. Furthermore, the County should consider centralizing and/or outsourcing excess property sales and consulting on property leases. As part of its work, the Advisory Committee should identify small "sliver" and other excess properties owned by the County and sell or deed them to adjoining properties. This would put these properties back on the tax roll thus increasing income for all levels of government.

Restructure Current Debt Schedule

Callable high interest debt should be recalled and re-issued to achieve cost saving and debt payment smoothing to avoid peaks and valleys in future budget years. Special attention should be paid to FY07, FY08 and FY09.

Strategy to Reclaim Outstanding Debt

A strategy should be developed and put in place to buy back bonds through the market place when interest rates merit.

USE OF MONEY AND PROPERTY (CONT...)**Periodic Review of Financial Advisory Services**

A periodic review of all Financial Advisory Services should be done by the Finance Department to determine need and efficiency.

Consolidate Similar Services

Many areas provide similar services. These areas should be consolidated to eliminate the staffing for "peak periods". An example of this is collections for permits, fees, sewer and water. These functions could be consolidated into one area reporting to the Finance Department or Comptrollers Office.

Restructure Health Insurance

In addition to the savings realized by switching from community rated products to experience rated products, the County should restructure health insurance to more closely reflect community coverage levels through a variety of methods including, but not limited to: increased employee cost sharing, reduced retirement benefits, longer vestment periods, Health Reimbursement Accounts, and Health Spending Accounts. Additionally, the County should analyze healthcare utilization data and proceed with Self-Insurance if favorable cost savings can be realized.

The County will Not Bond Operational Expenses

The County should set a future date to be financially stable enough to avoid the issuance of debt for cash flow purposes.

Consolidate Multi-Year Plans Function

Coordination and Development of multi-year CIP, Capital Budgets and on-going Capital Investment Planning should be coordinated through a central area.

IS/IT Function Consolidation Under the Director of Informational Services

All Information Services personnel, software and hardware decisions will be consolidated under the Director of Information Services (CIO). Department specific software will be reviewed by the CIO for adaptability to the platform, rather than for need. The Department Head should identify required functionality and meet with the CIO to determine compatibility.

**Budget Advisory Team
Member Profiles**

Robert J. Fischer, Co-Chair

Bob is President of Hayes Fischer Capital Management, an investment management company. Bob is also very active in the community, serving locally on the boards of the Rochester Philharmonic Orchestra, the Greater Rochester Visitor's Association, and the Boy Scouts of America, Otetiana Council. He is also Governor Pataki's appointment to the NYS Superfund Working Group and the NYS Superfund Management Board,. Bob is also a past Commodore of the Rochester Yacht Club, and was a recipient of the Rochester Business Journal's 40 Under 40 Award which recognizes leaders for significant contributions to the community.

Louise Woerner, Co-Chair

Louise is the Founder, Chairman and Chief Executive Officer of HCR,. Her boards include First Niagara Financial Group, Health Now, Quality Improvement and Investment Committees, AAA of Western and Central New York, she is a Trustee for the Center for Governmental Research and served two terms on the New York Federal Reserve Board, Buffalo Branch. Ms. Woerner was the first living woman inducted into the Rochester Business Hall of Fame in September 2003. Ms. Woerner received her MBA from the University of Chicago..

Ann L. Burr

Ann is a retired Executive Vice President of Time Warner. Prior to that she was the President of the Rochester division of Time Warner Cable. She served in various senior management positions for Time Warner for over 28 years including divisions in San Diego and Honolulu and lastly at the corporate headquarters in Stamford, CT. Ann served on the Monroe County Blue Ribbon Commission, and currently serves on the Boards of RIT, George Eastman House and WXXI.

Stacy Campbell

Stacy is First Vice President & Financial Consultant of RBC Dain Rauscher. He was Formerly CFO of Central Trust Co. and First National Bank of Rochester. He serves on the Board of Directors of SPCC, FEI and St. Joseph's Villa. He is a member of Rochester Business Alliance's Business Trends Committee.

Gloria D. Cochran

Gloria is President & Owner, Cochran Business Solutions LLC. She is the former owner of The Plaza Group, a Top 100 Company for five consecutive years. She served on many community boards, including Career Development Services, Women for Corporate Boards, Kirkhaven Nursing Home, and most recently is a member the Executive Committee and Board of Trustees for St. John Fisher College. She was an appointed a CASE Commissioner, and led a 50 member Jobs Creation Task Force to enhance economic development opportunities for our community.

John L. DiMarco II

As President and Chief Operating Officer of The DiMarco Group, John has brought his family-owned and operated business into its fourth generation of meeting and exceeding the needs of demanding construction and real estate clients in Rochester and throughout the northeast and mid-west US. John is also a member of the Board of Directors for Golisano Children's Hospital at Strong.

Gregory Duane

Gregory J. Duane is the Director of Finance for the Town of Pittsford. He graduated from SUC at Fredonia with a degree in Business Administration. He has over 18 years experience in municipal finance, budgeting and personnel practices. He has served as President of the Monroe County Town Finance Association and is the immediate Past-President of the NY State Government Finance Officers' Association.

Hon. Ralph J. Esposito

Ralph J. Esposito is the Supervisor of the Town of Gates. He was formerly President of the Monroe County Legislature, and later served as Deputy Monroe County Executive.

Kathryn Firkins

Kathryn is the Director of Constituent Services for the Town of Greece and the town's Former Assistant Director of Finance. She holds a Master of Public Administration and has served in municipal finance for 15 years.

Elisabeth Hager, MD, MMM

Elisabeth is President of Hager Consulting, which specializes in innovative solutions to systems-level problems. In both private and public sectors she applies a background of systems dynamics, health care, biotechnology and entrepreneurship to optimize complex organizations.

Richard W. Hannon

Richard is Assistant to the Mayor, City of Rochester and has 26 years of combined City and County government service, including 16 years of municipal budgeting and internal auditing experience, with seven years as City of Rochester's Budget Director. Since 2002, serving as Assistant to the Mayor for the City of Rochester, Richard has had oversight responsibility for Finance Department, Budget Bureau, and Bureau of Human Resource Management.

Brian E. Hickey

Brian is the Regional Chief Executive of M&T Bank and has responsibility for M&T Bank's Corporate Marketing Group, Health Care segment and the Western New York Commercial Real Estate Division. He is also a member of The Rump Group and Chairman of the Nazareth College Board of Trustees.

Daniel C. Hogan

Dan is the President and CEO of Crane Hogan Structural Systems Inc., Concrete Precast Products Corp., and various Real Estate Development Enterprises. He is Chairman of The Monroe County Case Commission, serves as The Region Four Director for The Associated General Contractors of America, and is on the Board of Directors of Unicon. He is also a Board Director for The Genesee Transportation Council, The Monroe County Empire Zone, The America Rock Salt Corporation, and The Hughes Corporation. Dan is also a member of the SUNY Brockport College Council and a Trustee for the Rochester Laborers Welfare and Pension Fund.

Thomas F. Judson, Jr.

As Chairman and CEO of the The Pike Company, Inc., Tom has built numerous major projects locally and throughout the country. He has also been active in the community, serving as President of the General Building Contractors of NY State and Chairman of the Board of Trustees at The Genesee Hospital. Currently, Tom serves on the Board of Trustees for RIT, the Strong Museum, the Center for Governmental Research, and the Executive Committee and Board of the United Way of Greater Rochester Inc. He is also a member of the Business Council of NY State, the World President's Organization, and the Rump Group.

R. Wayne LeChase

Wayne is President & CEO, LeChase Construction Services LLC. He is also highly involved in the community, having served numerous business and civic affiliations, including the United Way of Greater Rochester, the Otetiana Council of the Boy Scouts of America, the Rochester Economic Development Corp., the George Eastman House, the Rump Group, and several other organizations.

Bal K. Narang

Bal Narang, MBA, is Business Operations Manager for the HealthCare Division of Harris Interactive. In this capacity his responsibilities include developing budgets for the Division and ensuring delivery against those budgets. Prior to joining Harris Interactive, he was with Xerox Corporation in various Management positions in both Finance and Engineering functions.

Gregory J. Parrinello

Partner, PriceWaterhouseCoopers LLP

John Perticone

Business Manager/Financial Secretary,
Local 13, United Association of Plumbers & Pipefitters

Dennis M. Richardson

President & CEO, Hillside Family of Agencies

I.C. Shah

I.C. is President and C.E.O. of ICS Telecom Inc., a major telecommunications and data communications company in Western New York. He is a prominent community and business leader, and has lived in Monroe County for more than 30 years. He serves on boards of several non-profit organizations in the Rochester area.

Kevin Spacher, CPA

Kevin has served as the Director of Finance for the Town of Perinton since 1988. He is a member of the NYS Government Finance Officer's Association Board of Governors and past president Monroe County Finance Officer's Association.

Richard Spencer

Richard is a Senior Vice President of Investments with the Doyle, Moll, Spencer Group at Morgan Stanley. He has nearly 20 years experience in the financial and capital markets.

Michael Vadala

Michael Vadala is the President and CEO of The Summit Federal Credit Union located in Rochester. The Summit FCU has 42,000 members from over 500 companies and \$275 million in assets.

Thomas R. Wahl, Jr.

Tom is Sr. Vice President, Financial Advisor with Morgan Stanley. His non-profit commitments include State Treasurer with Easter Seals NY, Chair-Elect Monroe County Easter Seals. He is a member of the Civil Rights Commission of NY, Board member of Bivona Child Advocacy group and member and past President of Brighton Rotary. He is also Chairman of the local Chaine des Rotisseurs.

Summary of Money & Property-Related Cost and Revenue Impacts

Prepared by the Monroe County Budget Advisory Team - Use of Money and Property Focus Group

Strategy	Exec Sum'y Pg. #	Impact	Full Potential Savings or Revenues		Likelihood of Achieving	Expected Savings or Revenues		
			One Time	Annual		One Time	Annual	
Highest Probability of Success <i>(presented in order of highest impact)</i>								
1. Create a Grants Management Office Department of Finance <i>Note: Revenue potential likely much higher</i>	p. 17	Additional Revenue	0	- 0	500,000 - 2,000,000	High 90%	0 - 0	450,000 - 1,800,000
2. Reduce Insurance Retention Fund Department of Law <i>Note:</i>	p. 21	Cost Savings	0	- 0	500,000 - 500,000	High 90%	0 - 0	450,000 - 450,000
3. Increase Seneca Park Zoo Admission Fee Department of Parks <i>Note:</i>	p. 7	Additional Revenue	0	- 0	170,000 - 340,000	High 90%	0 - 0	153,000 - 306,000
4. Reduce Cost to Provide Road Striping Services Department of Transportation <i>Note:</i>	p. 19	Cost Savings	0	- 0	293,000 - 293,000	High 90%	0 - 0	263,700 - 263,700
5. Implement a Plan Review Fee Department of Transportation <i>Note:</i>	p. 11	Additional Revenue	0	- 0	100,000 - 150,000	High 90%	0 - 0	90,000 - 135,000
6. Revise Fees Charged by the Dept. of Public Health for Various Services Department of Public Health <i>Note:</i>	p. 12	Additional Revenue	0	- 0	48,000 - 93,000	High 90%	0 - 0	43,200 - 83,700
7. Reduce Fleet of County Vehicles Department of Environmental Services <i>Note: Explore removal of all vehicles; restore on exception basis only</i>	p. 18	Cost Savings	0	- 0	90,000 - 90,000	High 90%	0 - 0	81,000 - 81,000
8. Market Fleet Vehicle Maintenance Department of Environmental Services <i>Note:</i>	p. 7	Additional Revenue	0	- 0	54,000 - 54,000	High 90%	0 - 0	48,600 - 48,600
9. Increase Permit Fees Department of Transportation <i>Note:</i>	p. 11	Additional Revenue	0	- 0	50,000 - 50,000	High 90%	0 - 0	45,000 - 45,000
10. Increase Approval Limit for Professional Services Contract Office of the County Executive <i>Note: Estimate by Money & Property Focus Group, not Altrea</i>	p. 28	Cost Savings	0	- 0	40,000 - 50,000	High 90%	0 - 0	36,000 - 45,000
11. Optimize Referral Process between Law and Human Services Depts. Department of Law <i>Note:</i>	p. 22	Cost Savings	0	- 0	20,000 - 30,000	High 90%	0 - 0	18,000 - 27,000
Subtotal - Highest Probability of Success			0	- 0	1,865,000 - 3,650,000		0 - 0	1,678,500 - 3,285,000

Strategy	Exec Sum'y Pg. #	Impact	Full Potential Savings or Revenues		Likelihood of Achieving	Expected Savings or Revenues		
	One Time		Annual	One Time		Annual		
Medium Probability of Success (presented in order of highest impact)								
12. Charge Municipalities for Crime Lab Services Rendered Department of Public Safety <i>Note: Potential political sensitivity</i>	p. 9	Additional Revenue	0	- 0	750,000 - 1,000,000	Med 60%	0 - 0	450,000 - 600,000
13. Expand Conflict Defender's Office by In-sourcing Felony Case Mgmt. Department of Public Safety <i>Note:</i>	p. 20	Cost Savings	0	- 0	150,000 - 300,000	Med 60%	0 - 0	90,000 - 180,000
14. Expand the Use of the Mill Seat Landfill Department of Environmental Services <i>Note:</i>	p. 6	Additional Revenue	0	- 0	270,000 - 270,000	Med 60%	0 - 0	162,000 - 162,000
15. Consolidate Management of the Treasury Division & Real Property Tax Department of Finance <i>Note: Potential labor issue</i>	p. 16	Cost Savings	0	- 0	60,000 - 78,000	Med 60%	0 - 0	36,000 - 46,800
16. Market Department of Transportation, GIS, and County Clerk Data Various Departments <i>Note:</i>	p. 10	Additional Revenue	0	- 0	50,000 - 50,000	Med 60%	0 - 0	30,000 - 30,000
17. Improve Child Support Arrears Collection Department of Law <i>Note:</i>	p. 20	Cost Savings	0	- 0	26,000 - 37,000	Med 60%	0 - 0	15,600 - 22,200
18. Improve Energy Efficiency in County Buildings Department of Environmental Services <i>Note:</i>	p. 19	Cost Savings	0	- 0	35,000 - 35,000	Med 60%	0 - 0	21,000 - 21,000
Subtotal - Medium Probability of Success			0	- 0	1,341,000 - 1,770,000		0 - 0	804,600 - 1,062,000

Strategy	Exec Sum'y Pg. #	Impact	Full Potential Savings or Revenues		Likelihood of Achieving	Expected Savings or Revenues					
	One Time		Annual	One Time		Annual					
Lowest Probability of Success <i>(presented in order of highest impact)</i>											
19. Support Independent State-wide "Public Defense Commission" Office of the Public Defender <i>Note: State action required</i>	p. 8	Additional Revenue	1,500,000	- 2,000,000	1,200,000	- 1,200,000	Low 20%	300,000	- 400,000	240,000	- 240,000
20. Consolidate Physical Services Departments Labor Pools Various Departments <i>Note:</i>	p. 13	Cost Savings	0	- 0	300,000	- 300,000	Low 20%	0	- 0	60,000	- 60,000
21. Lobby for Additional Fees for Probation Services Department of Public Safety <i>Note: State action required</i>	p. 9	Additional Revenue	0	- 0	100,000	- 200,000	Low 20%	0	- 0	20,000	- 40,000
22. Reduce Funding to the Rochester Police Department Department of Public Safety <i>Note: Potential political sensitivity</i>	p. 21	Cost Savings	0	- 0	150,000	- 150,000	Low 20%	0	- 0	30,000	- 30,000
<u>Subtotal - Lowest Probability of Success</u>			1,500,000	- 2,000,000	1,750,000	- 1,850,000		300,000	- 400,000	350,000	- 370,000
Grand Total - All Strategies			1,500,000	- 2,000,000	4,956,000	- 7,270,000		300,000	- 400,000	2,833,100	- 4,717,000